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IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

No. 209

R. K. LAROS COMPANY, now PHARMACHEM CORPORATION and CUTTER LABORATORIES,

Petitioners,

vs.

BENGER LABORATORIES LIMITED and ARMOUR AND COMPANY,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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R. K. Laros Company, now Pharmachem Corporation, and Cutter Laboratories, defendants-appellants in the proceedings below, pray that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Third Circuit, entered on May 29, 1963.

Citations to Opinions Below

The Opinion of the District Court (Def. App. 445) is reported at 209 F. Supp. 639 (E. D. Pa., 1962). The Opinion of the Court of Appeals is reported at 137 USPQ 633 (3 Cir., 1963) and is printed in the Appendix hereto, *infra*, beginning page 14.

Jurisdiction

The Judgment of the Court of Appeals was entered on May 29, 1963, and is printed in the Appendix hereto, *infra*, page 16. The jurisdiction of this Court is invoked under 28 U. S. C. § 1254(1).

Questions Presented

First Question

Are product claims of a patent on a composition of matter invalid under Section 103 of the 1952 Patent Act (35 U. S. C. § 103) where:

(1) The process of making the composition of matter (iron-dextran) was admittedly obvious;

(2) Its use as a parenterally* injectable product was admittedly obvious;

(3) The patentees followed routine procedures in selecting known chemical compounds, with well-known properties, to meet certain requirements, and

(4) The only unobvious feature asserted for the composition of matter was its adaptability for *use* as an intramuscularly injectable product.

Second Question

Is a patent licensing arrangement which makes it impossible for further licenses to be granted without consultation and mutual agreement between licensor and licensee, who are potential competitors of each other and of other possible licensees, a violation *per se* of the anti-trust laws rendering the licensed patent unenforceable?

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*A generic term including both the intravenous and the intramuscular routes for injection.

Statutes Involved

The statutory provisions involved are Section 103 of the 1952 Patent Act (35 U. S. C. § 103) and the Sherman Anti-Trust Act, Section 1 as amended (15 U. S. C. § 1). They are printed in the Appendix hereto, *infra*, page 13.

Statement of the Case

The Parties Identified

Petitioner, R. K. Laros Company, Inc. (by change of name Pharmachem Corporation) (hereinafter referred to as "Laros"), is a Pennsylvania corporation located at Bethlehem, Pennsylvania. It is a manufacturer of clinical dextran and other dextran products.

Petitioner, Cutter Laboratories (hereinafter referred to as "Cutter"), is a California corporation located in Berkeley, California. It is a manufacturer and distributor of a wide line of pharmaceuticals. It is the principal customer of Laros so far as the product involved in this action is concerned.

Respondent, Benger Laboratories Limited (hereinafter referred to as "Benger"), is a corporation of Great Britain located in Crewe, Cheshire, England. It is the owner of the patent in suit and a manufacturer of clinical dextran, injectable iron products and other pharmaceuticals.

Respondent, Armour and Company (hereinafter referred to as "Armour"), is an Illinois corporation with its principal offices at Chicago, Illinois and a sales office in the Eastern District of Pennsylvania. It is the well-known meat packing concern with an extensive side line in the manufacture and distribution of pharmaceuticals. It was joined as a counterclaim-defendant because it is the exclu-

sive licensee in the veterinary field under the patent in suit. The license agreement does not include a right to grant sublicenses.

Resume of the Proceedings

This is a patent infringement action. The patent in suit relates to Therapeutic Preparations of Iron. At the time of trial the patent included composition of matter claims (claims 1-5 and 12); process claims covering the method of making the composition (claims 8-11); and process claims covering the method of injecting the composition parenterally (claim 6) and intramuscularly (claim 7). Claims 8-11 and 6 were disclaimed after entry of judgment in the District Court.

The action is actually two cases consolidated for trial. The first action (Civil Action No. 26,387) was commenced in the Northern District of Iowa on January 22, 1958, against what was then defendant Laros' customer, Fort Dodge Laboratories, Inc. On April 22, 1958, plaintiff Benger commenced Civil Action No. 24,540 against defendant Laros in the Eastern District of Pennsylvania at Philadelphia. Laros, to avoid two parallel lawsuits, simultaneously moved to intervene in the Iowa action and to stay the Philadelphia action. Both motions were granted. After a number of motions and discovery proceedings, Benger and Armour, the exclusive licensee in the veterinary field, through joint action caused a license to issue to Fort Dodge and Fort Dodge was dismissed from the Iowa case. Thereafter, the District Court in Iowa ordered that action transferred to the Eastern District of Pennsylvania. The stay of proceedings in Civil Action No. 24,540 was subsequently vacated by stipulation and order and both actions were consolidated for the purpose of trial in the Eastern District of Pennsylvania. On December 3, 1959, the motion to intervene of Laros' customer Cutter was granted and on February 1, 1960, Armour, the exclusive licensee in the

veterinary field, was added as a third-party defendant to the defendant's counterclaims.

The District Court held product claims 1 through 5 and 12 valid and infringed by petitioner; claims 8-11 relating to the process for the manufacture of the product invalid for obviousness; claim 6 relating to the method of parenterally administering the product invalid for obviousness; and claim 7, which is dependent on claim 6 and recites that the parenteral administration is by the intramuscular route, valid.

Subsequently, Benger filed a disclaimer pursuant to 35 U. S. C. § 253 in the Patent Office disclaiming claims 6 and 8-11, the claims held invalid by the District Court. The subject matter of these claims are irretrievably in the public domain.

The District Court held there was no violation of the antitrust laws because there was no evidence of "an intent to create an unlawful restraint or monopoly, together with conduct effective to bring such restraint or monopoly into being" (Def. App. 461).

The Court of Appeals affirmed the District Court in all respects.

Argument

First Question

Are product claims of a patent on a composition of matter invalid under § 103 of the 1952 Patent Act, (35 U. S. C. § 103) where:

(1) The process of making the composition of matter (iron-dextran) was admittedly obvious;

(2) Its use as a parenterally* injectable product was admittedly obvious;

* A generic term including both the intravenous and the intramuscular routes for injection.

(3) The patentees followed routine procedures in selecting known chemical compounds, with well-known properties, to meet certain requirements; and

(4) The only unobvious feature asserted for the composition of matter was its adaptability for *use* as an intramuscularly injectable product.

The District Court held (Def. App. 449-452) that there were many carbohydrate materials of the prior art which had been combined with iron, such as sugars, starch, *dextrin*,* etc. The District Court also held that dextran, which was the material selected by the inventors to be combined with iron, was a well-known compound whose chemical structure and behavior was very similar to that of dextrin, and that it was therefore obvious for a person skilled in the art to expect that dextran could be combined with iron by the process claimed in the patent. Dextran had not become an article of commerce until just shortly before the inventors began to use it in combination with iron.

Both of the inventors considered dextran the obvious carbohydrate (polysaccharide) to select for use in an intramuscular iron product. (Def. App. 361-2; 372-3). One of the inventors, Mr. Twigg, stated:

> "I believe up to that time other polysaccharides had been used for retarding the uptake of compounds on intramuscular injection. We thought about dextran. We attempted to incorporate dextran into an intramuscular iron solution. It was the obvious polysaccharide choice."

The other inventor, Dr. London, stated:

> ". . . as dextran was of considerable importance to us and also available, this seemed the obvious poly-

* A degradation product of starch similar to the degradation product of dextran used in making the iron-dextran product.

meric carbohydrate to try, and we also knew it was innocuous in the body—that seemed another good reason for trying it—by well-known usage of dextran and its degradation products, and that was the original germ of the idea."

The claims directed to the process of making iron-dextran (claims 8-11) were held invalid for obviousness.

The District Court considered that, in view of the prior art, it would have been obvious to inject this iron-dextran intravenously. Claim 6, covering the method of injecting iron-dextran parenterally, was thereupon held invalid for obviousness for the reason that the term "parenterally" clearly included intravenous injection.

Although the Court found that the process of making the iron-dextran was obvious, and that its use as a parenteral injectable was obvious, the Court held that the claims directed to the product itself, iron-dextran (claims 1-5 and 12), were valid on the basis of *Application of Larsen*, 292 F. 2d 531 (C. C. P. A. 1961).

The Court of Appeals affirmed, relying on the following quotation from the District Court opinion, buttressed by citation to the *Larsen* case, *supra*:

> "That the admittedly old steps of the process would result in obtaining such a solution if dextran were the carbohydrate used could not but have been obvious to a skilled worker in the field, but that is all that was obvious. What was not obvious was that the solution produced would be intramuscularly injectable, and the discovery that it would have this unexpected and unpredictable property qualifies it as patentable."

It is petitioner's contention that the court below erred in failing to apply the standard of invention for chemical

inventions as laid down by this Court in *Mandel Bros.* v. *Wallace*, 335 U. S. 291 (1948) and *Sinclair Co.* v. *Interchemical Corp.*, 325 U. S. 327 (1945). The inappropriateness of the standard of the *Larsen* case is demonstrated by the fact that although the Court held that it was obvious to make iron-dextran and inject it intravenously (and this subject matter is now irretrievably in the public domain by voluntary disclaimer of the patent owner), the public is now foreclosed from both making iron-dextran, injecting it intravenously, or using it in any other way. A product claim is infringed by using or selling the product for *any* purpose or by making it by any *process* (69 C. J. S. *Patents* § 303).

The only basis on which the composition of matter claims were upheld by the Court was that the composition had the unexpected property of being capable of being intramuscularly injected. One should not be permitted to obtain a patent on an old or obvious composition of matter merely through the discovery of another way of using it. If anything, such a patent should cover only that particular use, and the patentability of the claim covering such use should be determined by the proper test for invention. Because of the decision upholding the validity of the composition of matter claims, the public is now prevented from making iron-dextran or using it intravenously even though this is the subject matter of the disclaimed claims and is within the public domain. The composition of matter claims are clearly invalid under 35 U. S. C. 103 and broader than the invention defined by the decisions of the Courts below.

Second Question

Is a patent licensing arrangement which makes it impossible for further licenses to be granted without consultation and mutual agreement between licensor and licensee, who are potential competitors of each other and of other pos-

sible licensees, a violation *per se* of the antitrust laws rendering the licensed patent unenforceable?

Benger's licensing arrangement for the United States provides for two exclusive licensees, Armour for the veterinary field (Def. Ex. 12; Def. App. 333) and Lakeside Laboratories for the human field (Def. Ex. 10; Def. App. 315). Under the arrangement, neither of these licensees has the right to grant sublicenses, and, of course, neither does licensor.

The only licensee that has been added to the original two is Laros' former customer, Fort Dodge. The Fort Dodge license was entered into by Benger only after consulting with Armour and revising the Armour license to accommodate the new arrangement. The license to Fort Dodge (Pl. Ex. 32) is essentially a limited license permitting Fort Dodge to sell licensed products as defined in the Benger-Armour Principal License to veterinarians only, and the licensed product is to be obtained by Fort Dodge from Benger or from a manufacturing licensee of Benger, unless some *force majeure* should interfere with the supply of licensed product from Benger.

The effect of the Fort Dodge license, entered into collusively by Armour and Benger, was to license what was then petitioner Laros' main customer. This could have been and was only done through agreement between Benger and Armour in accord with their mutual self-interest (Def. App. 55-56). No other licenses can be granted without further agreement, and coincidence of self-interest, between Armour or Lakeside on the one hand and Benger on the other. Laros contends this is a *per se* violation of the antitrust laws.

The District Court in the case at bar found (Def. App. 460-461) that defendant had not proved a defense, because of failure to prove "an intent to create an unlawful restraint or monopoly, together with conduct effective to

bring such restraint or monopoly into being". The basis for this was the District Court's view of *United States* v. *Besser Mfg. Co.*, 96 F. Supp. 304 (E. D. Mich. 1951), affirmed 343 U. S. 444 (1952). Petitioners do not agree with this view of the *Besser* case. For under the language of the *Besser* decision itself, petitioner is entitled to prevail. Judge Picard stated:

> "The rule, however, is that there must be the existence of power 'to exclude competition when it is desired to do so' if 'coupled with the purpose of intent to exercise that power. [334 U. S. 100, 68 S. Ct. 945.]' American Tobacco Co. v. U. S., supra; U. S. v. Griffith, supra, 334 U. S. 107, 68 S. Ct. 941; U. S. v. Patten, 226 U. S. 525-543, 33 S. Ct. 141, 57 L. Ed. 333; and U. S. v. Aluminum Company of America, 2 Cir., 148 F. 2d 416 at page 432 or the intent to bring about the forbidden act, to wit, the monopoly. U. S. v. Aluminum Company of America, supra" (p. 308).

"Power and Intent."

> "As for intent—since this is only a state of mind rarely expressed or written down for the scrutiny of others—the courts generally say that all persons 'must be held to have intended the necessary and direct consequences of their acts, and cannot be heard to say the contrary' " (p. 308).

Unquestionably the licensing arrangement of Benger precludes the granting of additional licenses without mutual agreement. The power to grant or not to grant is there. Benger must be presumed to have created this power with the intent that it was to operate exactly as it has and does.

Reasons for Granting Writ

First Question

The decision of the Court below in the instant case and the decision in *Application of Larsen*, 292 F. 2d 531 (C. C. P. A. 1961), the authority upon which the instant case was decided, are directly in conflict with the decisions of this Court in *Mandel Bros.* v. *Wallace*, *supra*, and *Sinclair Co.* v. *Interchemical Corp.*, *supra*, and also in conflict with *Patrol Valve Co.* v. *Robertshaw-Fulton Controls Co.*, 210 F. 2d 146 (6 Cir. 1954).

In the present case, the inventors followed an admittedly old process to make iron-dextran, and both inventors considered it obvious to select dextran (which had just become an article of commerce). Since the Courts below held that the use of iron-dextran as an intravenous injectable was obvious, and that dextran is very similar to the dextrin used in the prior art iron-dextrin products in both chemical structure and behavior, it is submitted that the claims covering the product itself must be invalid under *Mandel Bros.* v. *Wallace*, *supra*, and *Sinclair Co.* v. *Interchemical Corp.*, *supra*, and *Patrol Valve Co.* v. *Robertshaw-Fulton Controls Co.*, *supra*. These decisions hold that the following of routine procedures in selecting known chemical compounds, with well-known properties, to meet certain requirements, does not involve invention.

The effect of the decision below is to permit a patentee to obtain an extremely broad monopoly covering all uses of a chemical compound and methods of making it, even those which are admittedly old or obvious.

Second Question

The decision of the Court below is in direct conflict with *United States* v. *Krasnov*, 143 F. Supp. 184 (E. D. Pa. 1956), affirmed *per curiam*, 355 U. S. 5 (1957) and

United States v. *Besser Mfg. Co.*, 96 F. Supp. 304 (E. D. Mich. 1951), affirmed 343 U. S. 444 (1952). See *Patent-Antitrust Laws*, Nordhaus and Jurow, page 349 (1961) and *The Antitrust Laws of the U. S. A.* by Neale, page 280 (Cambridge 1960), reproduced *infra*, pages 17-19.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX

Pertinent Statutes Involved

35 U. S. C. Section 103

103. *Conditions for patentability; non-obvious subject matter*

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

15 U. S. C. Section 1

1. *Trusts, etc., in restraint of trade illegal; exception of resale price agreements; penalty*

Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal: . . .

Appendix.

Memorandum Opinion and Judgment

Opinion of the Court

(Filed May 29, 1963)

Per Curiam:

In this patent infringement suit Judge Kirkpatrick in a comprehensive, sound opinion[1] held plaintiff's patent to be valid, that its reissue was proper, that it had been infringed by defendant's product and that its licensing arrangements did not violate the antitrust laws. The court found that plaintiff's product claims 1 to 5 inclusive and 12 presented a new, unexpected and important result by using dextran as a complexing agent for ferric hydroxide for the purpose of safely injecting the product intramuscularly. It said:

> "That the admittedly old steps of the process would result in obtaining such a solution if dextran were the carbohydrate used could not but have been obvious to a skilled worker in the field; but that is all that was obvious. What was not obvious was that the solution produced would be intramuscularly injectable, and the discovery that it would have this unexpected and unpredictable property qualifies it as patentable."
>
> See Application of Larsen, 292 F. 2d 531 (C. C. P. A. 1961).

With respect to defendant's contentions that plaintiff failed to state the best method of carrying out its invention and was not entitled to reissue of its patent, the trial court rightly concluded from the evidence as a whole that at the time of the American application there was a real question as to which was the best method; that there was sufficient

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[1] 206 F. Supp. 630 (E. D. Pa. 1962).

disclosure, good faith and no concealment on the part of the plaintiff. Upholding the reissue the court found correctly from the evidence that "The plaintiff's explanation as to the way in which Example 3 came to be omitted from its American application is in my judgment entirely credible and it satisfactorily establishes 'error without any deceptive intention' and negatives the defendants' charge of fraud." In addition, the Patent Office, on disputed testimony, in its discretion, reissued the patent in suit. On the facts before the district judge that decision called for affirmance. Topliff v. Topliff and Another, 145 U. S. 156, 171 (1892); Cuddlebaugh v. Rudolph, 131 F. 2d 795, 799 (3 Cir. 1942).

The complete answer to defendant's complaint of indefiniteness of the patent's description is contained in the fully documented finding of the district judge that the product was as well described as could be under the circumstances where plaintiff frankly stated it did not know the exact chemistry of its product and where no one in the case attempted to produce a chemical formula for it. Nor is there anything in evidence validly disputing the proposition that enough was known and revealed of the product to establish adequate tests with reference to infringement.

On the question of infringement there was sharply contradictory testimony. The court believed the evidence of those experts (notably Dr. Wolfram who has most impressive credentials in the field) who stated that defendant's product contains a true complex of iron and dextran as distinguished from the defense assertion that the ferric hydroxide particles were merely suspended in the colloidal range and coated with the dextran. The court noted, "This is not to say that the defendants' expert is entirely mistaken in thinking that the defendants' product will contain colloidal particles of ferric hydroxide surrounded by dextran. It may well contain these, but I am satisfied that

it also contains the complex of the patent in suit, and this fact is enough to establish infringement of the product claims."

Finally, we find no evidence in the record to sustain the defense charge that the exclusive licenses for the United States granted Armour for the veterinary field and Lakeside Laboratories for the human field, plus a third non-exclusive license granted to Fort Dodge, violate the anti-trust laws.

The judgment of the district court will be affirmed.

A True Copy:

Teste:

Clerk of the United States Court of Appeals for the Third Circuit.

Judgment

These causes came on to be heard on the records from the United States District Court for the Eastern District of Pennsylvania and were argued by counsel

On consideration whereof, it is now here ordered and adjudged by this Court that the judgment of the said District Court in these cases be, and the same is hereby affirmed, with costs.

Attest:

IDA O. CRESKOFF,
Clerk.

May 29, 1963

Appendix.

Patent Antitrust Laws

BY NORDHAUS AND JUROW

(P. 349—1961)

"An absolute exclusive license prevents the licensor from granting any licenses other than the immediate one. On the other hand, the grant of a license accompanied by a covenant by the licensor that it will not grant other licenses without the consent of the immediate licensee permits the licensor to grant other licenses under the specified conditions. Accordingly, it has been argued that a license of the latter character has a less severe effect on competition than an absolute exclusive license. This argument, however, overlooks the practical operation of this type of limited exclusive license.

"In the case of an absolute exclusive license, the exclusive licensee usually has the authority to grant sublicenses. To obtain a sublicense, an applicant need only obtain the consent of the exclusive licensee. Correspondingly, in the case of a nonexclusive license, under which the licensor retains the power to grant other licenses, an applicant for a license need only obtain the consent of the licensor. Thus, in either case, an applicant may obtain a license by meeting the requirements of only a single party.

"Contrastingly, in the case of a limited exclusive license, an applicant must obtain the consent of two parties—the licensor and its immediate licensee. This arrangement, which requires the joint action of two parties before an applicant can obtain a license, permits 'undesirable' applicants to be boycotted through concert of action. Under the general principle that, although a patent owner acting alone may refuse to

license anyone, it can not refuse to grant a license when the refusal is pursuant to a conspiracy or combination," it would appear that a limited exclusive license of the type in question is objectionable under the anti-trust laws."

" *United States* v. *National Lead Co.*, 332 U. S. 319 (1947); *United States* v. *L. D. Caulk Company*, 126 F. Supp. 693 (D. Del., 1954).

Appendix.

The Antitrust Laws of the U. S. A.

BY NEALE

(P. 280—Cambridge, 1960)

"This case, [*United States* v. *Besser Mfg. Co.*, 96 F. Supp. 304 (E. D. Mich. 1951), affirmed 343 U. S. 444 (1952)], appears to stand for the rule that it will be regarded as a 'boycott', and thus is illegal *per se* under the Sherman Act, for patent owners and exclusive licensees to act together to maintain their dominant position by enforcing the patents and refusing further licenses. 'It is this combination requiring collective action that primarily invalidates the agreement. We believe it clear that the parties intended this contract to be a means whereby control of the industry could be acquired and competition eliminated'."